

file

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

REORGANIZATION

SPECIAL GENERAL MEETINGS

OF

PREFERRED SHAREHOLDERS

AND

COMMON SHAREHOLDERS

9th DECEMBER, 1968

Bm



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Table of Contents

	Page
Instrument of Proxy and return envelope	opposite page
Notice of Special General Meeting of holders of Preferred Shares	2
Notice of Special General Meeting of holders of Common Shares	3
Letter to the Preferred and Common Shareholders from the President of Great Britain and Canada Investment Corporation	4
Schedule "A" — Statement of Financial Position of Great Britain and Canada Investment Corporation as at 30th September, 1968, and Auditors' Report	8
Schedule "B" — Pro Forma Statement of Financial Position of Great Britain & Canada Investments (1968) Limited as at 30th Septem- ber, 1968	9
Schedule "C" — Agreement of Sale by and between Great Britain and Canada Investment Corporation and Great Britain & Canada Investments (1968) Limited	11
Schedule "D" — Authorized capital of Great Britain & Canada Invest- ments (1968) Limited and the respective preferences, priorities, rights, powers, privileges, limitations, conditions and provisions carried by and to which are subject the three classes of shares	14
Schedule "E" — By-law "M" of Great Britain and Canada Investment Corporation providing for the alteration, amendment and variation of Supplementary Letters Patent dated 18th June, 1963	22
Schedule "F" — By-law "N" of Great Britain and Canada Investment Corporation providing, in effect, for the distribution of the assets of the Corporation amongst its shareholders in accordance with their respective rights	23
Schedule "G" — By-law "O" of Great Britain and Canada Investment Corporation providing for the winding-up of the affairs of the Corporation and the making of an application for leave to surrender its charter	24

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

NOTICE TO HOLDERS OF PREFERRED SHARES

To each of the holders of Five per cent (5%) Cumulative Redeemable Preferred Shares of the par value of Fifty Dollars (\$50) each (herein called "Preferred Shares") of Great Britain and Canada Investment Corporation (herein called "the Corporation").

Notice is hereby given that a Special General Meeting of the holders of Preferred Shares of the Corporation will be held at the head office of the Corporation, Suite 1660, 1245 Sherbrooke Street West, Montreal, Quebec, on Monday, the 9th day of December, 1968, at the hour of 10:00 o'clock in the forenoon for the following purposes:

(1) To consider and, if deemed fit, to approve and sanction a Memorandum of Agreement made by and between the Corporation and Great Britain & Canada Investments (1968) Limited on the 22nd day of November, 1968, providing, in effect, for the sale by the Corporation of the whole of its enterprise to Great Britain & Canada Investments (1968) Limited; a copy of such Memorandum of Agreement accompanies this notice and is marked Schedule "C";

(2) To consider and, if deemed fit, to approve and sanction By-law "M" of the By-laws of the Corporation providing for the alteration, amendment and variation of the provisions of the Supplementary Letters Patent issued to the Corporation bearing date of the 18th day of June, 1963; a copy of such By-law "M" accompanies this notice and is marked Schedule "E";

(3) To consider and, if deemed fit, to approve and sanction By-law "N" of the By-laws of the Corporation providing, in effect, for the distribution of the assets of the Corporation amongst the shareholders of the Corporation in accordance with their respective rights, a copy of such By-law "N" accompanies this notice and is marked Schedule "F"; and

(4) To consider and, if deemed fit, to approve and sanction By-law "O" of the By-laws of the Corporation providing for the winding-up of the affairs of the Corporation and the making of an application for leave to surrender its Charter; a copy of such By-law "O" accompanies this notice and is marked Schedule "G".

If you are unable to attend the Meeting, would you please complete the accompanying form of Instrument of Proxy and return the same to the Secretary-Treasurer, Great Britain and Canada Investment Corporation, Suite 1660, 1245 Sherbrooke Street West, Montreal, Quebec, in good time for use at the Meeting.

By Order of the Board of Directors,

C. L. LAROCK, F.C.I.S.

Secretary-Treasurer

Montreal, Quebec.
22nd November, 1968.

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

NOTICE TO HOLDERS OF COMMON SHARES

To each of the holders of Common Shares of the par value of One Dollar (\$1.00) each (herein called "Common Shares") of Great Britain and Canada Investment Corporation (herein called "the Corporation").

Notice is hereby given that a Special General Meeting of the holders of Common Shares of the Corporation will be held at the head office of the Corporation, Suite 1660, 1245 Sherbrooke Street West, Montreal, Quebec, on Monday, the 9th day of December, 1968, at the hour of 12:00 o'clock noon for the following purposes:

(1) To consider and, if deemed fit, to approve and sanction a Memorandum of Agreement made by and between the Corporation and Great Britain & Canada Investments (1968) Limited on the 22nd day of November, 1968, providing, in effect, for the sale by the Corporation of the whole of its enterprise to Great Britain & Canada Investments (1968) Limited; a copy of such Memorandum of Agreement accompanies this notice and is marked Schedule "C";

(2) To consider and, if deemed fit, to approve and sanction By-law "M" of the By-laws of the Corporation providing for the alteration, amendment and variation of the provisions of the Supplementary Letters Patent issued to the Corporation bearing date of the 18th day of June, 1963; a copy of such By-law "M" accompanies this notice and is marked Schedule "E";

(3) To consider and, if deemed fit, to approve and sanction By-law "N" of the By-laws of the Corporation providing, in effect, for the distribution of the assets of the Corporation amongst the shareholders of the Corporation in accordance with their respective rights; a copy of such By-law "N" accompanies this notice and is marked Schedule "F"; and

(4) To consider and, if deemed fit, to approve and sanction By-law "O" of the By-laws of the Corporation providing for the winding-up of the affairs of the Corporation and the making of an application for leave to surrender its Charter; a copy of such By-law "O" accompanies this notice and is marked Schedule "G".

If you are unable to attend the Meeting, would you please complete the accompanying form of Instrument of Proxy and return the same to the Secretary-Treasurer, Great Britain and Canada Investment Corporation, Suite 1660, 1245 Sherbrooke Street West, Montreal, Quebec, in good time for use at the Meeting.

By Order of the Board of Directors,

C. L. LAROCK, F.C.I.S.

Secretary-Treasurer

Montreal, Quebec.

22nd November, 1968.

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

1245 SHERBROOKE STREET WEST

MONTREAL 109

Montreal, 22nd November, 1968.

TO

Each of the holders of
Five per cent (5%) Cumulative Redeemable Preferred Shares
of the par value of Fifty dollars (\$50) each
of Great Britain and Canada Investment Corporation,

and

TO

Each of the holders of
Common Shares of the par value of One Dollar (\$1.00) each
of Great Britain and Canada Investment Corporation.

Dear Sir or Madam:—

A. Preamble

Accompanying this letter are notices of special general meetings of the holders of the Five per cent (5%) Cumulative Redeemable Preferred Shares and of the holders of the Common Shares respectively of this Corporation, an instrument of Proxy and a return envelope. Schedules attached include an audited balance sheet and an audited pro forma balance sheet as at 30th September, 1968, the provisions, terms and conditions attaching to the shares of a new company, copy of an Agreement of Sale made between this Corporation and a new company, copies of By-laws "M", "N" and "O".

B. General

It is generally proposed, for the reasons hereinafter stated, to transfer the assets and liabilities of your Corporation to a new company for Debentures, First Preferred Shares, Second Preferred Shares and Common Shares of the new company to be distributed to the security holders of your Corporation on an equitable basis and to wind up the affairs of the Corporation and surrender its charter.

Details of the proposed reorganization of the affairs of the Corporation have been submitted informally to the holders of the income debentures and to holders of large blocks of preferred shares and of common shares for their consideration and assurances have been received from such holders that the reorganization meets with their approval.

C. Reasons

Your Directors have had constantly before them the desirability of enlarging the scope of the enterprise through merger. In fact, one specific possibility was recently considered but negotiations were necessarily suspended when it was found that there existed no ready means whereby a company incorporated under the laws of Quebec, such as yours, can be merged with a federal corporation. This lack of flexibility severely limits your Corporation's access to corporate expansion, since most investment companies, which might be regarded as possible candidates for merger, possess federal charters. It is therefore in the interests of the Corporation and its shareholders that the enterprise be transferred to a new company incorporated under the laws of Canada.

The proposed plan contemplates generally that the assets and liabilities of your Corporation be transferred to a new company, to be known as Great Britain & Canada Investments (1968) Limited, in consideration, amongst other undertakings, of new income debentures, new first preferred shares, new second preferred shares and new common shares, to be distributed by the new company. The new income debentures would be distributed to the holders of the existing income debentures in the same principal amount, the new first preferred shares would be distributed to the holders of the existing preferred shares share for share and the new second preferred shares and new common shares would be distributed to the holders of the existing common shares on the basis of one (1) new second preferred share and one (1) new common share for each existing common share presently outstanding.

The position of the income debentureholders, the preferred shareholders and the common shareholders of the existing company would not be materially different in the new company with the exception of a moderate increase of one-quarter of one per cent ($\frac{1}{4}$ of 1%) in the annual rate of dividend payable on the first preferred shares of the new company when compared to the annual rate presently payable on the preferred shares of the existing Corporation. This increase is proposed in recognition of and by way of compensation for certain modifications of the rights of the holders of the existing preferred shares arising out of the replacement of such shares by the first preferred shares of the new company.

The existing Corporation has no undistributed income on hand (as defined in the Income Tax Act of Canada).

Upon the transfer of assets and liabilities to the new company the surplus in the existing Corporation would be translated to a large extent into paid-up capital and to a much lesser extent into a contributed surplus, which is intended initially to serve partly as a reserve against any unexpected adverse fluctuation in the market value of the assets and partly as a fund from which dividends on the new first preferred shares of the new company may be paid pending the establishment of a surplus of current earnings.

It is contemplated that no dividends will be paid by the new company on the new common shares so long as any of the new second preferred shares are outstanding. This feature should not, however, result in any loss of current income to the common shareholders who retain their new second preferred shares, since it is the intention that, in lieu of dividends on the new common shares, the new company would repurchase or redeem in each year an appropriate number of new second preferred shares so that such holders of new common shares would receive the redemption price of new second preferred shares instead of dividends.

Thus, the existing common shareholders who retain their new second preferred shares could reasonably expect to receive about the same cash income as that which they now enjoy and since, according to our tax advisors, the proceeds of repurchase or redemption of the new second preferred shares will not be subject to taxation as dividends under the Income Tax Act of Canada and will be free of United Kingdom income tax to the United Kingdom shareholders, the common shareholders resident in these countries will, as holders of new second preferred shares, reap the benefit of this mode of distribution. The common shareholders will also obtain some protection from the effect of an inevitable, although possibly short term, reduction in earnings on the investment portfolio resulting from the substantially increased holdings of U.S.A. equities. This change in investment policy, already intimated to the shareholders, provides for greater scope and diversification, but does show markedly lower dividend yields after taxes in Canada.

Future changes in investment policy and improved investment performance may reasonably be expected to be productive of increased income, so that when the payment of dividends on the new common shares out of earned surplus is initiated, the common shareholders may not find their annual income to have been adversely affected.

To summarize, your Directors consider that the plan provides for equitable treatment of each class of securityholders according to their respective rights, that it will serve to facilitate the future development and growth of the enterprise for the benefit of all concerned and that it offers both to the preferred shareholders and the common shareholders advantages which they do not now enjoy.

D. New Company

There has been incorporated a new investment company with the name of GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED by Letters Patent under Part I of the Canada Corporations Act and having its head office in the City of Montreal, Quebec.

The authorized capital of such new company consists of the following:—

120,000 — $5\frac{1}{4}\%$ First Cumulative Redeemable Preferred Shares of the par value of Fifty Dollars (\$50.00) each;

898,143 — 1% Second Non-cumulative Redeemable Preferred Shares of the par value of Two Dollars (\$2.00) each; and

1,500,000 — Common Shares of the par value of Eighteen Dollars (\$18.00) each.

These three classes of shares carry and are subject to the respective preferences, priorities, rights, powers, privileges, limitations, conditions and provisions set forth in the Letters Patent and reproduced in Schedule "D" hereto.

In addition the new company proposes to create and authorize to be issued 5½% Income Debentures in the aggregate principal amount of \$1,500,000 to be secured by Trust Agreement in the same form and terms, with such changes as may be necessary in the circumstances, as the Trust Agreement which now secures the issue of 5½% Income Debentures of your Corporation presently outstanding in a like aggregate principal amount.

E. Agreement of Sale

You will find in Schedule "C" hereto copy of an Agreement of Sale made between your Corporation and the new company on the 22nd day of November, 1968, but which is to become effective only if both classes of shareholders of your Corporation shall have approved it and shall have sanctioned By-laws "M", "N" and "O" and if Supplementary Letters Patent shall have been issued confirming By-law "M".

The Agreement of Sale in effect provides for the sale of the whole of this Corporation's enterprise to the new company in consideration of certain undertakings and the delivery of \$1,500,000 5½% Income Debentures to the holder or holders of the existing debentures, 120,000 5¼% First Cumulative Redeemable Preferred Shares to the holders of the existing preferred shares and 898,143 1% Second Non-cumulative Redeemable Preferred Shares and 898,143 Common Shares of the new company to the holders of the existing common shares, all of which shares of the new company are to be fully paid and non-assessable.

The authorized and outstanding funded indebtedness, capital stock and paid-up capital of your Corporation, both as at 30th September, 1968, and as at the date of this letter are as follows:

Funded Indebtedness	Authorized	Outstanding	Paid-up Capital
Income Debentures	\$1,500,000	\$1,500,000	
Capital Stock			
Preferred Shares	120,000	120,000	\$6,000,000
Common Shares	1,497,843	898,143	898,143

The authorized and outstanding funded indebtedness, capital stock and paid-up capital of the new company, upon consummation of the Agreement of Sale, will be as follows:

Funded Indebtedness	Authorized	Outstanding	Paid-up Capital
Income Debentures	\$1,500,000	\$1,500,000	
Capital Stock			
First Preferred Shares	120,000	120,000	\$ 6,000,000
Second Preferred Shares	898,143	898,143	1,796,286
Common Shares	1,500,000	898,143	16,166,574

There will also appear on the balance sheet of the new company a contributed surplus equal to the net value of the assets of the existing Corporation at the time of the acquisition thereof by the new company after deduction of all liabilities (including the new debentures) and after provision for the aggregate amount of the paid-up capital represented by the new first preferred shares, the new second preferred shares and the new common shares.

The audited Balance Sheet of your Corporation as at 30th September, 1968, will be found in Schedule "A" hereto and an audited pro forma Balance Sheet of the new company as at the same date, assuming that the reorganization had become effective on that date, will be found in Schedule "B" hereto.

F. Distribution

If and when the reorganization becomes effective, the debenture-holders and shareholders of your Corporation will become entitled to the securities to be issued by the new company as already indicated.

It is intended that the 5½% Income Debentures of the new company be distributed by the new company to the holder of the 5½% Income Debentures of your Corporation presently outstanding against surrender of the latter for cancellation. The present holder of the existing Debentures has already agreed to this substitution, if the proposed reorganization be completed.

It is further intended that the First Cumulative Redeemable Preferred Shares of the new company be distributed by the new company to the holders of the existing preferred shares of your Corporation on a share for share basis and that the Second Non-cumulative Redeemable Preferred Shares and Common Shares of the new company be distributed by the new company to the holders of the common shares of your Corporation on the basis of one (1) Second Non-Cumulative Redeemable Preferred Share and one (1) Common Share of the new company for each existing common share of your Corporation.

Such a distribution recognizes the prior rights of the holders of the existing debentures and preferred shares and provides for an equitable treatment of all concerned.

G. By-laws

To accomplish the objective it is necessary that the provisions of the Letters Patent and Supplementary Letters Patent relating to the existing preferred shares of your Corporation be amended in such manner that dividends thereon shall cease to accrue on the date of the Agreement of Sale (when dividends on the new first preferred shares of the new company shall commence to accrue) and that the rights of the holders of such Preferred Shares may be satisfied by the delivery to them of the First Cumulative Redeemable Preferred Shares of the new company on a share for share basis. Such is the purpose of By-law "M", a copy of which will be found in Schedule "E" hereto.

By-law "N", a copy of which will be found in Schedule "F" hereto, simply authorizes the distribution of the assets of your Corporation and By-law "O", a copy of which will be found in Schedule "G" hereto, authorizes the wind-up of the affairs of this Corporation and the surrender of its Charter.

These three By-laws, as well as the Agreement of Sale, are being submitted for the approval of the Preferred and Common Shareholders at separate meetings.

The directors of your Corporation believe that it is in the interest of the shareholders generally that they be approved and recommend that the shareholders do so.

H. Management

The directors, with one exception, and officers of the new company are the same individuals as those occupying like positions in the existing Corporation.

Management services have for many years been furnished to the existing Corporation by Investment Secretariat Ltd., a subsidiary of Arbuckle, Govett & Co. Ltd. Management services will be supplied to the new company by Pembroke Management Ltd. which was recently incorporated at the instance of Arbuckle, Govett & Co. Ltd. and some of its associates. Pembroke Management Ltd. was formed to attract additional specialized personnel and to facilitate the provision of appropriate incentives, in order that expanded investment advisory services might be made available to the new company and others.

Heretofore Investment Secretariat Ltd. has been remunerated for its services on a fixed fee basis. Pembroke Management Ltd. will be remunerated by means of a basic fee and a performance fee calculated on a scale related to the achievement of results superior to those of an objective standard. The management expenses of the new company resulting from payment for these expanded services and the altered method of remuneration, while substantially higher than those paid by the existing Corporation, will be appropriate and reasonable when measured by current practice in the investment industry and the anticipated improvement of investment performance.

I. Current Dividends

Dividends on the first preferred shares of the new company will commence to accrue on the date of the Agreement of Sale so that the holders of the existing preferred shares will suffer no loss in the cumulation of their right to dividends.

Following the distribution of the new second preferred shares and new common shares by the new company it is anticipated that no dividends will be paid by the new company on the new common shares so long as any of the new second preferred shares are outstanding and that the new company will redeem in each year an appropriate number of the new second preferred shares so that holders of the new common shares, who shall have continued to hold their new second preferred shares, will receive the redemption price of such new second preferred shares instead of dividends.

J. Costs

All costs of the reorganization, other than costs of attendance at meetings, mailing and insurance incurred by individual shareholders, will be paid by this Corporation or the new company.

K. Effectiveness of Agreement of Sale

The reorganization will become effective if and when the Agreement of Sale and the By-laws have been approved or sanctioned by the shareholders, Supplementary Letters Patent confirming By-law "M" have been issued and By-law "N" and By-law "O" have been declared effective. Notice thereof will be given in due course to the shareholders.

L. Instrument of Proxy

You are invited to attend the meeting of that class of shareholders of this Corporation of which you are a member. If you are unable to do so, would you please complete the accompanying form of Instrument of Proxy and return the same to the Secretary-Treasurer in good time for use at the meeting. A self-addressed envelope will be found in the pocket on the reverse side of the front page hereof which may be used for such purpose.

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

W. A. ARBUCKLE
President

SCHEDULE "A"

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

(Incorporated under the Quebec Companies Act)

STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER, 1968

CURRENT ASSETS:

Cash	\$111,638	
Accounts receivable	27,613	
Accrued income on investments	112,071	\$ 251,322

CURRENT LIABILITIES:

Preferred dividend payable	75,000	
Bank loan	60,000	
Account payable and accrued expenses	1,546	
Accrued debenture interest	27,500	
Provision for income taxes	31,024	195,070

NET CURRENT ASSETS

INVESTMENTS AT MARKET VALUE (Note 1)

28,859,374

28,915,626

FUNDED DEBT (Note 2)

1,500,000

SHAREHOLDERS' EQUITY

REPRESENTED BY:

Capital stock (Note 3)	\$ 6,898,143
Unrealized appreciation of investments (Note 1)	9,033,356
Investment reserve	9,543,336
Retained earnings	1,940,791
	<u>\$27,415,626</u>

Signed on behalf of the Board of Directors:

W. A. ARBUCKLE, Director

A. D. NESBITT, Director

NOTES TO STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER, 1968

NOTE 1. INVESTMENTS AT MARKET VALUE:

Securities valued on the basis of available stock exchange prices or estimated fair values	\$28,859,374
Securities at book value	19,826,018

Difference included in Shareholders' Equity as unrealized appreciation of investments

\$ 9,033,356

NOTE 2. FUNDED DEBT:

5½% Income Debentures, due 1st December, 1971, — Authorized and issued	\$ 1,500,000
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NOTE 3. CAPITAL STOCK:

Preferred shares, — 5% Cumulative, redeemable of \$50 par value — Authorized and issued — <u>120,000</u> shares	\$ 6,000,000
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Common shares of \$1 par value — Authorized — 1,497,843 shares Issued — <u>898,143</u> shares	898,143
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\$ 6,898,143

The Preferred shares are redeemable at the option of the Corporation at any time in whole or from time to time in part, on not less than 30 days' notice, at \$52.50 per share or, in one restricted event, at \$50 per share, plus, in each case, accrued and unpaid dividends to the date of redemption.

NOTE 4.

This statement does not give effect to the Plan of Reorganization approved by the board of directors on 11th November, 1968.

AUDITORS' REPORT

The Directors,

Great Britain and Canada Investment Corporation.

We have examined the statement of financial position of Great Britain and Canada Investment Corporation as at 30th September, 1968, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and as shown by the books of the Corporation, this statement, with notes thereto, presents fairly the financial position of the Corporation as at 30th September, 1968, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants.

Montreal, Que.
14th November, 1968.

GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED

(a new company incorporated under the Canada Corporations Act)

PRO FORMA STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER, 1968 (NOTE 1)

CURRENT ASSETS:

Cash.....	\$111,638	
Accounts receivable.....	27,613	
Accrued income on investments.....	112,071	\$ 251,322

CURRENT LIABILITIES:

Preferred dividend payable.....	75,000	
Bank loan.....	60,000	
Accounts payable and accrued expenses.....	1,546	
Accrued debenture interest.....	27,500	
Provision for income taxes.....	31,024	
Estimated reorganization expenses.....	86,800	281,870

NET CURRENT LIABILITIES..... 30,548

INVESTMENTS AT MARKET VALUE..... 28,859,374

FUNDED DEBT (Note 1)..... 28,828,826
1,500,000

SHAREHOLDERS' EQUITY..... \$27,328,826

REPRESENTED BY:

Capital stock (Notes 1 and 2).....	\$23,962,860
Contributed surplus (Note 1).....	3,365,966
	<u>\$27,328,826</u>

Signed on behalf of the Board of Directors:

W. A. ARBUCKLE, Director

A. D. NESBITT, Director

NOTES TO THE PRO FORMA STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER, 1968

NOTE 1.

The pro forma statement of financial position gives effect to:

the transfer of the assets and liabilities of Great Britain and Canada Investment Corporation to Great Britain & Canada Investments (1968) Limited

the delivery by Great Britain & Canada Investments (1968) Limited

— to the holders of the outstanding 5½% income debentures of Great Britain and Canada Investment Corporation of 5½% income debentures in the aggregate principal amount of \$1,500,000 due 1st December, 1971

— to the holders of the outstanding 5% cumulative redeemable preferred shares of Great Britain and Canada Investment Corporation of 120,000 fully paid and non-assessable 5¼% first cumulative redeemable preferred shares of the par value of \$50 each

— to the holders of the outstanding common shares of Great Britain and Canada Investment Corporation of 898,143 fully paid and non-assessable 1% second non-cumulative redeemable preferred shares of the par value of \$2 each and 898,143 fully paid and non-assessable common shares of the par value of \$18 each of the capital stock of Great Britain & Canada Investments (1968) Limited

the recording of contributed surplus of \$3,365,966 which is equal to the net value of the assets of Great Britain and Canada Investment Corporation at 30th September, 1968 after deduction of all liabilities (including the new debentures and estimated reorganization expenses of \$86,800) and after provision for the aggregate amount of paid-up capital represented by the first preferred shares, the second preferred shares and the common shares

all in accordance with the Plan of Reorganization approved by the directors of Great Britain and Canada Investment Corporation on 11th November, 1968.

NOTES TO THE PRO FORMA STATEMENT OF FINANCIAL POSITION
AS AT 30TH SEPTEMBER, 1968 (continued)

NOTE 2. CAPITAL STOCK:

Preferred shares —

5½% First cumulative, redeemable of \$50 par value	
Authorized and issued — <u>120,000 shares</u>	\$ 6,000,000

1% Second non-cumulative, redeemable of \$2 par value	
Authorized and issued — <u>898,143 shares</u>	1,796,286
	7,796,286

Common shares of \$18 par value —

Authorized — 1,500,000 shares	
Issued — <u>898,143 shares</u>	16,166,574
	\$23,962,860

The First Preferred shares and the Second Preferred shares are redeemable at the option of the Corporation at any time in whole or from time to time in part, on not less than 30 days' notice, in respect of the First Preferred shares at \$52.50 per share (in one restricted event, at \$50 per share) and, in respect of the Second Preferred shares, at par, plus, in each case, accrued and unpaid dividends, if any, to the date of redemption.

AUDITORS' REPORT

The Directors,
Great Britain & Canada Investments (1968) Limited.

We have examined the pro forma statement of financial position of Great Britain & Canada Investments (1968) Limited (a new company incorporated under the Canada Corporations Act) as at 30th September, 1968 and have obtained all the information and explanations we have required.

In our opinion this pro forma statement presents fairly the financial position of the company as at 30th September, 1968 after giving effect to the transactions outlined in Note 1 to the statement, all in accordance with generally accepted accounting principles.

Montreal, Que.
14th November, 1968.

TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants.

AGREEMENT OF SALE

THIS MEMORANDUM OF AGREEMENT made in duplicate in the City of Montreal, in the Province of Quebec, Canada, this 22nd day of November, 1968,

BY AND BETWEEN

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION, a body politic and corporate, duly incorporated according to the laws of the Province of Quebec and having its head office and principal place of business in the City of Montreal, in the Province of Quebec, Canada, herein acting and represented by William A. Arbuckle, its President, duly authorized for the purposes hereof, as he declares, hereinafter called the "Vendor"; or

PARTY OF THE FIRST PART;

AND

GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED, a body politic and corporate, duly incorporated according to the laws of Canada and having its head office and principal place of business in the City of Montreal, in the Province of Quebec, Canada, herein acting and represented by Clifford L. Larock, its Secretary-Treasurer, duly authorized for the purposes hereof, as he declares, hereinafter called the "Purchaser"; or

PARTY OF THE SECOND PART.

WITNESSETH THAT, for and in consideration of the sum of One Dollar (\$1.00) and of other good and valuable consideration, including the mutual covenants and agreements hereinafter contained, the Parties hereto covenant and agree as follows, that is to say:

1. The following expressions wherever used herein shall, unless the context be wholly inconsistent therewith, have the following meanings respectively, that is to say:

(a) "Vendor" shall mean the Party of the First Part;

(b) "Purchaser" shall mean the Party of the Second Part;

(c) "Assets" shall mean and include all of the undertaking, business, property, assets, rights, patents, patent rights, trade marks, trade names and goodwill of the Vendor as at the date of this Agreement, exclusive only of an amount of Forty-one Thousand, Two Hundred Fifty Dollars (\$41,250) required by the Vendor to pay the interest to become payable on its outstanding 5½% Income Debentures on the 1st day of December, 1968, and of a further amount equal to the amount of the dividends which shall have accrued on the outstanding five per cent (5%) cumulative redeemable preferred shares of the Vendor for any period prior to the date of this Agreement and now remaining unpaid as well as an amount equal to the amount of the dividend on the Common shares of the Vendor payable on the 30th day of December, 1968;

(d) "Liabilities" shall mean and include any and all liabilities and obligations of the Vendor as at the date of this Agreement, exclusive only of—

(i) any liabilities and obligations of the Vendor in respect of the principal amount of any 5½% Income Debentures issued by the Vendor and secured by Trust Agreement made between the Vendor and Montreal Trust Company, as Trustee, bearing formal date of December 1st, 1966;

(ii) any liability and obligation of the Vendor to pay interest on any such 5½% Income Debentures which shall have become payable in respect of any period prior to the 1st day of December, 1968, and which shall not have been paid;

(iii) any other liabilities and obligations of the Vendor arising out of the Trust Agreement securing the said 5½% Income Debentures;

(iv) any liabilities and obligations of the Vendor to pay any dividends which shall have accrued on the outstanding five per cent (5%) cumulative redeemable preferred shares of the Vendor for any period prior to the date of this Agreement and now remaining unpaid; and

(v) the liability and obligation of the Vendor to pay on the 30th day of December, 1968, a dividend in the amount of twenty-five cents (25¢) per share on the outstanding common shares of the Vendor.

2. The Vendor hereby sells, transfers, makes over and assigns all of its Assets unto the Purchaser and the Purchaser hereby purchases and undertakes to take delivery of and pay for the same, the whole for the consideration and upon and subject to the provisions, terms and conditions set forth in this Agreement.

3. The Purchaser, by way of consideration for the Assets and in addition to any other consideration for which this Agreement provides, shall be and become bound to pay to the Vendor the sum of Twenty-nine Million, Five Hundred and Fifty-four Thousand, Eight Hundred and Sixty-four Dollars (\$29,554,864), being a sum equal to:

(a) the undepreciated capital cost of any depreciable assets of the Vendor forming part of the Assets; and

(b) in respect of bonds and debentures, the bid price per unit thereof as at the close of business on the last Friday preceding the date of this Agreement or, if there be no such bid price on such last Friday, then on the last day prior thereto for which any such bid price is quoted, as obtained from a member of the Investment Dealer's Association of Canada; and

(c) in respect of common and preferred shares of Canadian corporations listed on the Montreal, Canadian, Toronto or Vancouver Stock Exchanges, the bid price per unit thereof as at the close of business on the last Friday preceding the date of this Agreement or, if there be no such bid price on such last Friday, then on the last day prior thereto for which any such bid price is quoted, as shown by the official quotation sheet of one of such Stock Exchanges; and

(d) in respect of common stock of United States corporations listed on the New York or American Stock Exchanges, the price per unit thereof of the last sale on the last Friday preceding the date of this Agreement or, if there be no such sale on such last Friday, then on the last day prior thereto for which any such sale is quoted, as shown by the Wall Street Journal; and

(e) in respect of securities of United States corporations traded on an "over the counter basis", the bid price per unit thereof as at the close of business on the last Friday preceding the date of this Agreement or, if there be no such bid price on such last Friday, then on the last day prior thereto for which any such bid price is quoted, as shown by the Wall Street Journal; and

(f) the fair value of any other Assets of the Vendor as determined by the Board of Directors of the Vendor;

and shall be and become bound to satisfy and discharge such sum as follows:

(i) to the extent of an amount equal to the Liabilities of the Vendor outstanding as at the date of this Agreement, by assuming and undertaking to satisfy and discharge all such Liabilities;

(ii) to the extent of One Million, Five Hundred Thousand Dollars (\$1,500,000) by issuing and delivering to the holder or holders of the 5½% Income Debentures of the Vendor outstanding as at the date of this Agreement 5½% Income Debentures of the Purchaser in the aggregate principal amount of One Million, Five Hundred Thousand Dollars (\$1,500,000), maturing December 1st, 1971, and secured by Trust Agreement to be made between the Purchaser and Montreal Trust Company, as Trustee, in the same form and terms, with such changes only as may be required in the circumstances, as the Trust Agreement made between the Vendor and Montreal Trust Company, as Trustee, bearing formal date of December 1st, 1966, and securing the 5½% Income Debentures of the Vendor outstanding as at the date of this Agreement; such 5½% Income Debentures of the Purchaser to be dated the 1st day of December, 1968, to bear interest commencing on the first day of December, 1968, and to be issued and delivered par for par against surrender to the Vendor for cancellation of the 5½% Income Debentures of the Vendor;

(iii) to the extent of Six Million Dollars (\$6,000,000) by issuing and delivering to the holders, of record as at the close of business on such day as may be fixed by the Vendor, of the five per cent (5%) cumulative redeemable preferred shares of the Vendor outstanding as at the date of this Agreement one hundred and twenty thousand (120,000) fully paid and non-assessable 5¼% First Cumulative Redeemable Preferred Shares of the par value of Fifty Dollars (\$50) each of the capital stock of the Purchaser carrying rights to dividends which shall be cumulative from and including the date of this Agreement; such shares of the Purchaser to be issued share for share and the certificates representing such shares to be delivered against surrender to the Vendor for cancellation of the certificates representing the outstanding five per cent (5%) cumulative redeemable preferred shares of the Vendor;

(iv) to the extent of One Million, Seven Hundred and Ninety-six Thousand, Two Hundred and Eighty-six Dollars (\$1,796,286) by issuing and delivering to the holders, of record as at the close of business on such day as may be fixed by the Vendor, of the Common Shares of the Vendor outstanding as at the date of this Agreement Eight Hundred and Ninety-eight Thousand, One Hundred and Forty-three (898,143) fully paid and non-assessable 1% Second Non-Cumulative Redeemable Preferred Shares of the par value of two dollars (\$2.00) each of the capital stock of the Purchaser; such shares of the Purchaser, with the common shares of the Purchaser hereinafter mentioned, to be issued share for share and the certificates representing such shares to be delivered against surrender to the Vendor for cancellation of the certificates representing the outstanding common shares of the Vendor;

(v) to the extent of Sixteen Million, One Hundred and Sixty-six Thousand, Five Hundred and Seventy-four Dollars (\$16,166,574), by issuing and delivering to the holders, of record as at the close of business on such day as may be fixed by the Vendor, of the Common Shares of the Vendor outstanding as at the date of this Agreement Eight Hundred and Ninety-eight Thousand, One Hundred and Forty-three (898,143) fully paid and non-assessable Common Shares of the capital stock of the Purchaser of the par value of Eighteen Dollars (\$18) each, such shares to be issued share for share and the certificates representing such shares to be delivered against surrender to the Vendor for cancellation of the certificates representing the outstanding common shares of the Vendor;

(vi) to the extent of the balance of such sum, by crediting the same to the surplus account of the Purchaser as a contributed surplus for use by the Purchaser for such general corporate purposes as may from time to time be determined by resolution of the Board of Directors of the Purchaser, including, but without in any way limiting or restricting the generality of the foregoing, the appropriation of the whole or of any part of such amount as a reserve and the appropriation of the whole or of any part of such amount for the payment of dividends on the shares of the capital stock of the Purchaser from time to time outstanding.

4. The Vendor shall pay the interest on the 5½% Income Debentures of the Vendor which becomes payable on the 1st day of December, 1968, and shall pay any dividends which shall have accrued on the outstanding five per cent (5%) cumulative redeemable preferred shares of the Vendor for any period prior to the date of this Agreement and now remaining unpaid as well as the dividend on the common shares of the Vendor payable on the 30th day of December, 1968.

5. The 5½% Income Debentures of the Vendor which shall have been surrendered to the Vendor shall be delivered for cancellation to the Trustee under the Trust Agreement securing such Debentures and the Purchaser shall cause such Trust Agreement to be released and discharged.

6. The Purchaser assumes and undertakes to pay for the account of the Vendor all costs, including fees and expenses for professional services, which have not heretofore been paid by the Vendor incurred or to be incurred in the reorganization of the affairs of the Vendor, the transfer of the Assets to the Purchaser, the distribution of the proceeds of sale to the holders of the outstanding 5½% Income Debentures, Preferred Shares and Common Shares of the Vendor, the release and discharge of the Trust Agreement securing the outstanding 5½% Income Debentures of the Vendor, the winding-up of the affairs of the Vendor and the surrender of its Charter.

7. The respective Parties hereto shall do and perform all such acts and things and shall sign, seal, execute and deliver all such deeds, documents, instruments and writings as may be necessary or useful in order more fully to evidence and/or to render effective the provisions of this Agreement and/or to give effect hereto.

8. This Agreement has been made upon and subject to the condition that it shall become ineffective, null and void if this Agreement and By-law "M", By-law "N" and By-law "O" of the By-laws of the Vendor, with which the Purchaser is familiar, shall not have been duly approved or sanctioned by the shareholders of the Vendor, at meetings to be called by the Vendor as soon as practicable to consider the same, or if By-law "M" shall not have been confirmed by Supplementary Letters Patent upon the application of the Vendor to be made as soon as practicable after the said By-law "M" shall have been so approved or sanctioned.

9. Until it shall have been ascertained whether or not this Agreement and such By-laws have been so approved or sanctioned and whether or not such By-law "M" has been so confirmed and, if the same shall have been so approved or sanctioned and so confirmed, as the case may be, until such date as may be fixed by the President or the Vice-President or the Secretary-Treasurer of the Vendor as the date when By-law "N" and By-law "O" shall become effective, which date shall be not later than sixty (60) days after the date when Supplementary Letters Patent shall have been received by the Vendor confirming By-law "M", the Vendor shall retain possession of the Assets, remain obligated for the Liabilities and continue to carry on its business in the normal course of its activities, upon the understanding that, if and when it shall have been ascertained that this Agreement and such By-laws have been so approved or sanctioned and such By-law "M" has been so confirmed, then the Vendor, for all purposes hereof, shall be deemed to have so retained possession of the Assets, to have so remained obligated for the Liabilities and to have so carried on its business, on and after the date of this Agreement, as the agent and for the account of the Purchaser.

10. This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Quebec, Canada.

IN WITNESS WHEREOF the Parties hereto have executed and delivered these presents at the time and place and in the manner hereinbefore set forth in the preamble hereto.

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

W. A. ARBUCKLE
President

PARTY OF THE FIRST PART

GREAT BRITAIN & CANADA INVESTMENTS (1968) LIMITED

C. L. LAROCK
Secretary-Treasurer

PARTY OF THE SECOND PART

The authorized capital of the Company is to consist of one hundred and twenty thousand (120,000) Five and one-quarter per cent ($5\frac{1}{4}\%$) first cumulative redeemable preferred shares of the par value of fifty dollars (\$50) each, eight hundred and ninety-eight thousand one hundred and forty-three (898,143) One per cent (1%) second non-cumulative redeemable preferred shares of the par value of two dollars (\$2) each, and one million five hundred thousand (1,500,000) common shares of the par value of eighteen dollars (\$18) each.

The said Five and one-quarter per cent ($5\frac{1}{4}\%$) first cumulative redeemable preferred shares (hereinafter referred to as "First Preferred Shares"), the said One per cent (1%) second non-cumulative redeemable preferred shares (hereinafter referred to as "Second Preferred Shares") and the said common shares (hereinafter referred to as "Common Shares") shall respectively carry and be subject to the following preferences, priorities, rights, powers, privileges, limitations, conditions and provisions, that is to say:

First Preferred Shares

1. The holders of the First Preferred Shares shall be entitled to receive and the Company shall pay thereon, in preference and priority to any payment of dividends on the Second Preferred Shares, on the Common Shares or any other shares of the Company ranking after the First Preferred Shares, as and when declared by the directors, fixed cumulative preferential cash dividends, in lawful money of Canada, at the rate of five and one-quarter per cent ($5\frac{1}{4}\%$) on the par value thereof per annum and no more payable (with the exception of the first quarterly dividend in respect of First Preferred Shares issued on or as of a date prior to the 1st day of January, 1969, which shall be paid on the 1st day of April, 1969) in quarterly instalments on the first days of January, April, July and October in each year. Such dividends shall be cumulative from and including the respective dates of issue of any such First Preferred Shares. If, on any dividend payment date in respect of the First Preferred Shares, the dividend payable on such date is not paid in full on all the First Preferred Shares then issued and outstanding, such dividend or any unpaid part thereof, as the case may be, shall be paid on such subsequent date or dates as may be determined by the directors. No dividend shall be declared or paid or set apart for payment on the Second Preferred Shares, on the Common Shares or on any other shares of the Company ranking after the First Preferred Shares unless:

(a) prior to the declaration of any such dividend, there shall have been declared and paid or set apart for payment on the First Preferred Shares all dividends thereon theretofore accrued and remaining unpaid, if any, and the instalment of dividends in respect of the then current quarterly dividend period; and,

(b) at the time of the declaration of any such dividend, the amount of the earned and any contributed surplus of the Company, after deduction of the aggregate amount of any such dividend, shall be not less than an amount sufficient to provide for the payment of one (1) year's dividends on the First Preferred Shares then outstanding.

Dividends on the First Preferred Shares shall be paid by warrant or cheque payable at par at any branch in Canada (far northern branches excepted) of the Company's bankers. The holders of the First Preferred Shares shall not be entitled to any dividends other than or in excess of the cash dividends for which provision is hereinbefore made.

2. All First Preferred Shares shall rank equally with and shall, in all respects, possess and be subject to the same preferences, priorities, rights, powers, privileges, limitations, conditions and provisions as all other First Preferred Shares, except only as hereinbefore provided with respect to the date from which dividends in respect of any First Preferred Shares from time to time issued shall be cumulative.

3. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among its shareholders (otherwise than by way of dividends, or the purchase or redemption of First Preferred Shares or of Second Preferred Shares, or the purchase or redemption, out of the proceeds of an issue of shares made for the purpose, of any shares ranking after the First Preferred Shares), the holders of the First Preferred Shares shall be entitled to receive, in lawful money of Canada, the par value of their First Preferred Shares together with all dividends accrued thereon up to the date when any resolution is passed or any judgment is rendered ordering any such liquidation, dissolution, winding-up or other distribution of assets and then remaining unpaid, whether or not earned or declared (which dividends, for such purpose, shall be calculated as if they were accruing from day to day) and if, such liquidation, dissolution, winding-up or other distribution shall result from voluntary action on the part of the Company, an additional amount equal to two dollars and fifty cents (\$2.50) per First Preferred Share, before any amount shall be paid to, or any property or assets of the Company distributed among, holders of the Second Preferred Shares, the Common Shares or any other shares of the Company ranking after the First Preferred Shares. After payment to the holders of the First Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Company. If, upon any such liquidation, dissolution, winding-up or other distribution, the property

and assets of the Company shall be insufficient to permit the payment in full to the holders of the First Preferred Shares of the amounts distributable to them as aforesaid, then the entire property and assets of the Company shall be distributed ratably among the holders of the First Preferred Shares then outstanding according to their respective rights.

4. The holders of the First Preferred Shares shall not be entitled (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting (but shall be entitled to have mailed to them copies of the financial statements and the auditors' report thereon submitted to the annual meeting of shareholders) unless and until dividends on the First Preferred Shares for the time being outstanding shall have accrued and remain unpaid to the extent of an amount equal to seven and seven-eighths per cent ($7\frac{7}{8}\%$) of the par value thereof, whether or not such dividends shall have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends. Thereafter, so long as any dividends on any First Preferred Shares remain in arrears, the holders of the First Preferred Shares shall be entitled to receive notice of all meetings of the shareholders of the Company and to attend thereat and shall be entitled to one (1) vote in respect of each First Preferred Share held and shall moreover be entitled to vote separately and exclusively as a class for the election of two (2) directors if the board of directors shall consist of seven (7) or less, or for the election of three (3) directors if the board of directors shall consist of eight (8) or more, and in such circumstances the holders of shares of the Company other than the First Preferred Shares shall have no voice in any such election but shall vote separately and exclusively for the election of the other directors of the Company.

Nothing hereinbefore contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors.

Notwithstanding anything contained in the by-laws of the Company, the term of office of all persons who may be directors of the Company at any time when the holders of the First Preferred Shares become entitled to elect directors as herein provided, or who may be appointed as directors thereafter and before a meeting of shareholders for the election of directors shall have been held, shall terminate upon the election of new directors at the next annual meeting of shareholders or at a special general meeting which may be held for the election of directors at any time after the holders of the First Preferred Shares become entitled to elect directors and of which not less than twenty-one (21) days' prior notice in writing shall be given and which shall be called by the secretary of the Company upon the written request of the holders of at least one-tenth ($1/10$) in number of the First Preferred Shares then outstanding. In default of the calling of such special general meeting by the secretary within fifteen (15) days after the receipt of any such request, it may be called by any holder of First Preferred Shares.

Any vacancy occurring among members of the board of directors elected and/or appointed to represent the holders of First Preferred Shares in accordance with the provisions hereof may be filled by the board with the consent and approval of the remaining director or directors elected and/or appointed to represent the holders of First Preferred Shares; but, if there be no such remaining director or directors, the board may appoint duly qualified holders of First Preferred Shares to fill the vacancy or vacancies.

Notwithstanding anything contained in the by-laws of the Company, upon any termination of the voting rights of the holders of the First Preferred Shares as herein provided, the term of office of all persons who may then be directors of the Company or who may be appointed as directors after such termination and before a meeting of the holders of the shares then entitled to elect directors shall have been held for the election of directors shall terminate upon the election of new directors at the next annual meeting of the Company or at a special general meeting of the holders of the shares then entitled to elect directors which may be held for the election of directors at any time after such termination of voting rights of the holders of the First Preferred Shares and of which not less than twenty-one (21) days' prior notice in writing shall be given and which shall be called by the secretary of the Company upon the written request of the holders of at least one-tenth ($1/10$) in number of the shares of the Company then outstanding and entitling the holders thereof to elect directors. In default of the calling of such special general meeting by the secretary within fifteen (15) days after the receipt of any such request, it may be called by any holder of shares then entitled to elect directors.

5. The Company may, at its option, exercisable by resolution of the directors, redeem out of capital pursuant to the provisions of subsection (3) of section 49 of the Canada Corporations Act or redeem pursuant to the provisions of section 61 of the said Act, on such date as may be fixed by such resolution, the whole or any part of the First Preferred Shares from time to time outstanding;

(a) at a redemption price per share equal to fifty-two dollars and fifty cents (\$52.50) plus the amount of all dividends, if any, which shall have accrued thereon up to the date fixed for redemption and then remain unpaid; or

(b) in the event that the directors shall have passed a by-law providing for the creation of additional preferred shares ranking *pari passu* with the First Preferred Shares and that the approval of the holders of the First Preferred Shares shall not have been granted as required under the provisions of paragraph 8 hereof and in the manner for which provision is made in paragraph 10 hereof, at a redemption price per share equal to the par value thereof plus the amount of all dividends, if any, which shall have accrued thereon up to the date fixed for redemption and then remain unpaid.

If part only of the then outstanding First Preferred Shares is at any time to be redeemed, the First Preferred Shares to be redeemed shall be so redeemed from all the holders of the First Preferred Shares in the proportion which the respective number of the First Preferred Shares held by each of them bears to the total number of the First Preferred Shares then outstanding, fractions of shares to be disregarded.

Notice of any such redemption shall be given by the Company not less than thirty (30) days prior to the date fixed for redemption by mailing such notice to the registered holders of the First Preferred Shares to be redeemed at their respective addresses appearing in the books of the Company or, in the event of the address of any shareholder not so appearing, then to the last known address of such shareholder. Such notice shall set out the redemption price and the date fixed for redemption and, if part only of the First Preferred Shares held by the person to whom such notice is addressed is to be redeemed, the number of such First Preferred Shares so held by such person so to be redeemed. On and after the date fixed for redemption, the Company shall pay or cause to be paid the redemption price to or to the order of the registered holders of the First Preferred Shares to be redeemed on presentation and surrender, at the head office of the Company or at any other place designated in such notice, of the certificates representing the respective First Preferred Shares called for redemption. If less than all of the First Preferred Shares represented by any such certificates are redeemed, a new certificate shall be issued representing the unredeemed First Preferred Shares. From and after the date fixed for redemption, the holders of the First Preferred Shares called for redemption shall cease to be entitled to dividends and shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation and surrender of such certificates in accordance with the foregoing provisions, in which event the rights of the holders shall remain unaffected. Should the holders of any of the First Preferred Shares so called for redemption fail to present and surrender, in accordance with the foregoing provisions, the certificates representing such shares on the date fixed for redemption, the Company shall have the right to deposit the redemption price of such First Preferred Shares to the credit of a special account in any chartered bank or trust company in Canada, of which notice shall have been given to the holders of the First Preferred Shares so called for redemption, to be paid without interest to or to the order of the respective registered holders of such First Preferred Shares called for redemption on presentation and surrender to such chartered bank or trust company of the certificates representing the same.

Upon such deposit being made, the First Preferred Shares in respect of which such deposit shall have been made shall be deemed to be redeemed and the rights of the holders thereof, after such deposit, shall be limited to the right to receive without interest from the depositary their proportionate part of the amount so deposited on presentation and surrender of their respective certificates.

The First Preferred Shares redeemed under the provisions of this paragraph 5 shall be cancelled and, if such redemption shall have been made pursuant to the provisions of subsection (3) of section 49 of the said Act, the authorized and issued capital of the Company shall thereby be decreased accordingly upon due compliance with the provisions of section 62 of the said Act.

6. The Company may, at any time and from time to time, purchase out of capital pursuant to the provisions of subsection (3) of section 49 of the Canada Corporations Act or purchase pursuant to the provisions of section 61 of the said Act the whole or any part of the First Preferred Shares then outstanding in the open market or, with the unanimous consent of the holders of the First Preferred Shares, by private contract at the lowest price at which, in the opinion of the directors of the Company, such shares are obtainable but not exceeding the redemption price thereof hereinbefore specified in subparagraph (a) of paragraph 5 hereof plus costs of purchase. From and after the date of purchase of any First Preferred Shares under the provisions of this paragraph 6, the shares so purchased shall be cancelled and, if such purchase shall have been made pursuant to the provisions of subsection (3) of section 49 of the said Act, the authorized and issued capital of the Company shall thereby be decreased accordingly upon due compliance with the provisions of section 62 of the said Act.

7. The holders of the First Preferred Shares shall not be entitled as of right to subscribe for or to purchase or receive any part of any issue of shares, bonds, debentures or other securities of the Company now or hereafter authorized.

8. So long as any First Preferred Shares are outstanding, the Company shall not without, but may from time to time with, the approval of the holders of the First Preferred Shares given in the manner provided in paragraph 10 hereof:

(a) create or issue any shares ranking in priority to the First Preferred Shares or create any other preferred shares ranking *pari passu* with the First Preferred Shares;

(b) issue any First Preferred Shares, in addition to the one hundred and twenty thousand (120,000) First Preferred Shares hereby authorized, or any other preferred shares ranking *pari passu* with the First Preferred Shares, at any time when:

(i) the amount of the Net Earnings of the Company, as hereinafter defined, for any twelve (12) consecutive calendar months within the eighteen (18) calendar months immediately preceding the date of issue of any such additional First Preferred Shares or such other preferred shares shall have been not less than two (2) times the annual dividend requirements on all First Preferred Shares and such other preferred shares to be outstanding after the issue of such additional First Preferred Shares or such other preferred shares; or

(ii) the value of the Net Tangible Assets of the Company, as hereinafter defined, plus the estimated proceeds of such additional First Preferred Shares or such other preferred shares proposed to be issued and minus the aggregate principal amount of all Funded Indebtedness, all at a date within one hundred and twenty (120) days immediately preceding such issue, is equal to less than two and one-half (2½) times the aggregate par value of the First Preferred Shares and such other preferred shares to be outstanding after the issue of such additional First Preferred Shares or such other preferred shares;

(c) create or issue any Funded Indebtedness, as hereinafter defined, which, when added to the aggregate principal amount of all then existing Funded Indebtedness, exceeds an amount equal to thirty per cent (30%) of the Net Tangible Assets of the Company; provided, however, that nothing herein contained shall prevent the Company from:

(i) renewing or refunding, at any time and from time to time, the principal amount of any Funded Indebtedness which may be outstanding from time to time; and

(ii) incurring from bankers in the ordinary course of business loans having a term not exceeding one (1) year;

and

(d) redeem, purchase or pay off any share capital of the Company ranking after the First Preferred Shares, provided, however, that the Company shall not thereby be prohibited or prevented from redeeming, purchasing or paying off any such share capital out of the proceeds of an issue of shares ranking after the First Preferred Shares and provided, further, that the Company shall not thereby be prohibited or prevented from redeeming, purchasing or paying off any of the eight hundred and ninety-eight thousand, one hundred and forty-three (898,143) Second Preferred Shares hereby authorized, subject to the reservations, however, that, unless made out of the proceeds of an issue of shares ranking after the First Preferred Shares, no such Second Preferred Shares shall be redeemed, purchased or paid off at any time when the balance of the Net Tangible Assets of the Company remaining after the deduction therefrom of the Funded Indebtedness of the Company then outstanding shall be less than two (2) times the amount of capital paid up on all of the First Preferred Shares for the time being then outstanding or at any time when the redemption, purchase or paying off thereof would serve to reduce the balance of the Net Tangible Assets of the Company remaining after the deduction therefrom of the Funded Indebtedness of the Company then outstanding below an amount equal to two (2) times the amount of capital paid up on all of the First Preferred Shares for the time being then outstanding and no more than three hundred thousand (300,000) of such Second Preferred Shares shall be so redeemed, purchased or paid off in any one calendar year.

For the purposes hereof, the expressions following shall have the following meanings respectively, that is to say:

(i) "Net Earnings" of the Company shall mean all gross earnings and income from all sources (but not including capital gains on the purchase and sale of investments) less all administrative and operating charges and expenses of every nature; the foregoing expenses shall, without limiting or restricting the generality of the foregoing, include insurance, rentals, licenses, taxes (including taxes on income), all interest, and such provisions for bad and doubtful accounts as the directors, in their discretion with the approval of the Company's auditors, may determine.

(ii) "Net Tangible Assets" shall mean the excess of Assets over Liabilities.

(iii) "Assets" shall mean the total of all assets appearing on a balance sheet of the Company prepared in accordance with sound accounting practice, less amounts, if any, at which goodwill, unamortized share or debt commission, discount and expense and similar items appear as assets. Assets shall be valued at their respective quoted market values and, if there be no quoted market values, shall be taken at the fair values thereof as determined by resolution of the directors. There shall also be included as assets of the Company, for the purpose of this clause, the proceeds or estimated proceeds of any financing through indebtedness, or shares, or other securities of the Company proposed to be issued under contract for payment by the holder in cash within a reasonable time of such calculation except to the extent that such proceeds or estimated proceeds are to be applied to the repayment or retirement of any Funded Indebtedness or of any shares of the Company.

(iv) "Liabilities" shall mean the total of all liabilities other than Funded Indebtedness and other than contingent liabilities (except where the directors, with the approval of the auditors of the Company, shall determine otherwise), and other than earned surplus, contributed surplus, capital surplus, liability to shareholders for capital stock and reserves (except to the extent that sound accounting practice shall require such capital surplus and reserves to be treated as liabilities of the Company), appearing on a balance sheet of the Company prepared in accordance with sound accounting practice.

(v) "Funded Indebtedness" shall mean all indebtedness, secured or unsecured, created, assumed or guaranteed, which matures by its terms on, or is renewable at the option of the obligor to, a date more than twelve (12) months after the date of the original creation, assumption or guarantee.

9. Subject to confirmation by supplementary letters patent, the directors of the Company may, at any time and from time to time, pass a by-law or by-laws whereby the terms of this paragraph, of the foregoing paragraphs and of the next following paragraph may be altered, amended or repealed or the application thereof suspended in any particular case and changes made in the preferences, priorities, rights, powers, privileges, limitations, conditions and provisions attaching to the First Preferred Shares, but no such by-law shall have any force or effect until after it shall have been sanctioned by the vote, at a meeting specially called for the purpose, of the holders of at least three-fourths ($\frac{3}{4}$) in number of the Common Shares which are represented by shareholders present in person or by proxy at such meeting and approved by the holders of the First Preferred Shares in the manner for which provision is made in paragraph 10 hereof.

10. Approval of the holders of the First Preferred Shares to any and all matters referred to in paragraphs 8 and 9 hereof may be given by resolution carried on a poll by the affirmative votes of the holders of not less than three-fourths ($\frac{3}{4}$) in number of the First Preferred Shares which are represented by shareholders present in person or by proxy at a meeting of the holders of the First Preferred Shares duly called and held for the purpose upon at least fifteen (15) days' prior notice, at which the holders of at least one-half ($\frac{1}{2}$) in number of the then outstanding First Preferred Shares are present or represented by proxy. If the holders of at least one-half ($\frac{1}{2}$) in number of the outstanding First Preferred Shares are not present in person or represented by proxy at any such meeting within one-half hour after the time fixed for the meeting, then the meeting shall be adjourned to such date, being no earlier than fifteen (15) days thereafter, and shall be held at such time and place as may be determined by the chairman of the meeting and at least ten (10) days' notice shall be given of such adjourned meeting. It shall not be necessary in such notice of the adjourned meeting to specify the business for which the meeting was originally called. At any such adjourned meeting the holders of the First Preferred Shares present in person or represented by proxy, without regard to the number of First Preferred Shares which they may hold, shall constitute a quorum and may transact the business for which the meeting was originally convened and a resolution thereat carried on a poll by the affirmative votes of not less than three-fourths ($\frac{3}{4}$) of the votes cast at such meeting shall constitute the decision of the meeting and shall constitute the action of all the holders of the First Preferred Shares then outstanding. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of First Preferred Shares shall be entitled to one (1) vote in respect of each First Preferred Share held.

Second Preferred Shares

A. The holders of the Second Preferred Shares, from and including the respective dates of issue of any such Second Preferred Shares, shall, subject to the prior rights of the holders of the First Preferred Shares, be entitled to receive in each calendar year and proportionately for any part of a year, in preference and priority to any payment of dividends in such year on the Common Shares or on any other shares of the Company ranking after the Second Preferred Shares, if and when declared by the directors, fixed non-cumulative preferential cash dividends, in lawful money of Canada, at the rate of one per cent (1%) on the par value thereof per year and no more, payable, if declared, in quarterly instalments on the second

days of January, April, July and October in each year or otherwise as may be determined from time to time by the directors. Such dividends shall be non-cumulative and, if the same be not declared in any year, all rights thereto shall cease and terminate at the end of such year. No dividend shall be declared or paid or set apart for payment in any year on the Common Shares or on any other shares of the Company ranking after the Second Preferred Shares unless, prior to the declaration of any such dividend, the dividend on the Second Preferred Shares for such year or such part thereof as shall theretofore have elapsed, as the case may be, shall have been declared and paid or set apart for payment.

Dividends on the Second Preferred Shares shall be paid by warrant or cheque payable at par at any branch in Canada (far northern branches excepted) of the Company's bankers. The holders of the Second Preferred Shares shall not be entitled to any dividends other than or in excess of the cash dividends for which provision is hereinbefore made.

B. The Second Preferred Shares shall be subject and subordinate to the First Preferred Shares and all Second Preferred Shares shall rank equally with and shall, in all respects, possess and be subject to the same preferences, priorities, rights, powers, privileges, limitations, conditions and provisions as all other Second Preferred Shares, except only as hereinbefore provided with respect to the date from which dividends in respect of any Second Preferred Shares from time to time issued shall be payable.

C. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among its shareholders (otherwise than by way of dividends, or the purchase or redemption of First Preferred Shares or of Second Preferred Shares, or the purchase or redemption, out of the proceeds of an issue of shares made for the purpose, of any other shares ranking after the Second Preferred Shares), the holders of the Second Preferred Shares shall, subject to the prior rights of the holders of the First Preferred Shares, be entitled to receive, in lawful money of Canada, the par value of their Second Preferred Shares together with all dividends declared thereon up to the date when any resolution is passed or any judgment is rendered ordering any such liquidation, dissolution, winding-up or other distribution of assets and then remaining unpaid, before any amount shall be paid to, or any property or assets of the Company distributed among, holders of the Common Shares or of any other shares of the Company ranking after the Second Preferred Shares. After payment to the holders of the Second Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Company. If, upon any such liquidation, dissolution, winding-up or other distribution, the property and assets of the Company shall be insufficient, after satisfaction of the prior rights of the holders of the First Preferred Shares, to permit the payment in full to the holders of the Second Preferred Shares of the amounts distributable to them as aforesaid, then the entire property and assets of the Company available for such purpose after satisfaction of the prior rights of the holders of the First Preferred Shares shall be distributed rateably among the holders of the Second Preferred Shares then outstanding according to their respective rights.

D. The holders of the Second Preferred Shares shall not be entitled (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting (but shall be entitled to have mailed to them copies of the financial statements and the auditors' report thereon submitted to the annual meeting of shareholders) unless and until no dividends at the prescribed rate on the Second Preferred Shares for the time being outstanding shall have been paid for a period of two (2) consecutive complete calendar years, whether or not such dividends shall have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends. Thereafter and until the prescribed dividend for one (1) full year shall have been paid on the Second Preferred Shares, the holders of the Second Preferred Shares shall be entitled to receive notice of all meetings of the shareholders of the Company, other than any meeting of any other class of shareholders held separately and as a class, and to attend thereat and shall be entitled to one (1) vote in respect of each Second Preferred Share held.

E. The Company may, at its option, exercisable by resolution of the directors, redeem out of capital pursuant to the provisions of subsection (3) of section 49 of the Canada Corporations Act or redeem pursuant to the provisions of section 61 of the said Act, on such date as may be fixed by such resolution, the whole or any part of the Second Preferred Shares from time to time outstanding at a redemption price per share equal to the par value thereof plus the amount of all dividends, if any, which shall have been declared thereon up to the date fixed for redemption and then remain unpaid.

If part only of the then outstanding Second Preferred Shares is at any time to be redeemed, the Second Preferred Shares to be redeemed shall be so redeemed from all the holders of the Second Preferred Shares in the proportion which the respective number of the Second Preferred Shares held by each of them bears to the total number of the Second Preferred Shares then outstanding, fractions of shares to be disregarded.

Notice of any such redemption shall be given by the Company not less than thirty (30) days prior to the date fixed for redemption by mailing such notice to the registered holders of the Second Preferred Shares to be redeemed at their respective addresses appearing in the books of the Company or, in the event of the address of any shareholder not so appearing, then to the last known address of such shareholder. Such notice shall set out the redemption price and the date fixed for redemption and, if part only of the Second Preferred Shares held by the person to whom such notice is addressed is to be redeemed, the number of such Second Preferred Shares so held by such person so to be redeemed. On and after the date fixed for redemption, the Company shall pay or cause to be paid the redemption price to or to the order of the registered holders of the Second Preferred Shares to be redeemed on presentation and surrender, at the head office of the Company or at any other place designated in such notice, of the certificates representing the respective Second Preferred Shares called for redemption. If less than all the Second Preferred Shares represented by any such certificates are redeemed, a new certificate shall be issued representing the unredeemed Second Preferred Shares. From and after the date fixed for redemption, the holders of the Second Preferred Shares called for redemption shall cease to be entitled to dividends and shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation and surrender of such certificates in accordance with the foregoing provisions, in which event the rights of the holders shall remain unaffected. Should the holders of any of the Second Preferred Shares so called for redemption fail to present and surrender, in accordance with the foregoing provisions, the certificates representing such shares on the date fixed for redemption, the Company shall have the right to deposit the redemption price of such Second Preferred Shares to the credit of a special account in any chartered bank or trust company in Canada, of which notice shall have been given to the holders of the Second Preferred Shares so called for redemption, to be paid without interest to or to the order of the respective registered holders of such Second Preferred Shares called for redemption on presentation and surrender to such chartered bank or trust company of the certificates representing the same.

Upon such deposit being made, the Second Preferred Shares in respect of which such deposit shall have been made shall be deemed to be redeemed and the rights of the holders thereof, after such deposit, shall be limited to the right to receive without interest from the depositary their proportionate part of the amount so deposited on presentation and surrender of their respective certificates.

The Second Preferred Shares redeemed under the provisions of this paragraph E shall be cancelled and, if such redemption shall have been made pursuant to the provisions of subsection (3) of section 49 of the said Act, the authorized and issued capital of the Company shall thereby be decreased accordingly upon due compliance with the provisions of section 62 of the said Act.

F. The Company may, at any time and from time to time, purchase out of capital pursuant to the provisions of subsection (3) of section 49 of the Canada Corporations Act or purchase pursuant to the provisions of section 61 of the said Act the whole or any part of the Second Preferred Shares then outstanding in the open market or, with the unanimous consent of the holders of the Second Preferred Shares, by private contract at the lowest price at which, in the opinion of the directors of the Company, such shares are obtainable but not exceeding the redemption price thereof hereinbefore specified in paragraph E hereof plus costs of purchase. From and after the date of purchase of any Second Preferred Shares under the provisions of this paragraph F, the shares so purchased shall be cancelled and, if such purchase shall have been made pursuant to the provisions of subsection (3) of section 49 of the said Act, the authorized and issued capital of the Company shall thereby be decreased accordingly upon due compliance with the provisions of section 62 of the said Act.

G. The holders of the Second Preferred Shares shall not be entitled as of right to subscribe for or to purchase or receive any part of any issue of shares, bonds, debentures or other securities of the Company now or hereafter authorized.

H. Subject to confirmation by supplementary letters patent, the directors of the Company may, at any time and from time to time, pass a by-law or by-laws whereby the terms of this paragraph, of the foregoing paragraphs and of the next following paragraph may be altered, amended or repealed or the application thereof suspended in any particular case and changes made in the preferences, priorities, rights, powers, privileges, limitations, conditions and provisions attaching to the Second Preferred Shares, but no such by-law shall have any force or effect until after it shall have been sanctioned by the vote, at a meeting specially called for the purpose, of the holders of at least three-fourths ($\frac{3}{4}$) in number of the Common Shares which are represented by shareholders present in person or by proxy at such meeting and approved by the holders of the Second Preferred Shares in the manner for which provision is made in paragraph I hereof.

I. Approval of the holders of the Second Preferred Shares to any and all matters referred to in paragraph H hereof may be given by resolution carried on a poll by the affirmative votes of the holders of not less than three-fourths ($\frac{3}{4}$) in number of the Second Preferred Shares which are represented by shareholders present in person or by proxy at a meeting of the holders of the Second Preferred Shares

duly called and held for the purpose upon at least fifteen (15) days' prior notice, at which the holders of at least one-half ($\frac{1}{2}$) in number of the then outstanding Second Preferred Shares are present or represented by proxy. If the holders of at least one-half ($\frac{1}{2}$) in number of the outstanding Second Preferred Shares are not present in person or represented by proxy at any such meeting within one-half hour after the time fixed for the meeting, then the meeting shall be adjourned to such date, being not earlier than fifteen (15) days thereafter, and shall be held at such time and place as may be determined by the chairman of the meeting and at least ten (10) days' notice shall be given of such adjourned meeting. It shall not be necessary in such notice of the adjourned meeting to specify the business for which the meeting was originally called. At any such adjourned meeting the holders of the Second Preferred Shares present in person or represented by proxy, without regard to the number of Second Preferred Shares which they may hold, shall constitute a quorum and may transact the business for which the meeting was originally convened and a resolution thereat carried on a poll by the affirmative votes of not less than three-fourths ($\frac{3}{4}$) of the votes cast at such meeting shall constitute the decision of the meeting and shall constitute the action of all the holders of the Second Preferred Shares then outstanding. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Second Preferred Shares shall be entitled to one (1) vote in respect of each Second Preferred Share held.

Common Shares

The Common Shares shall, subject to the prior rights of the holders of the First Preferred Shares and the Second Preferred Shares respectively, carry all of the rights pertaining to such Common Shares in accordance with the relevant provisions of the Canada Corporations Act and shall entitle the holders thereof to one (1) vote per share at any and all meetings of the shareholders of the Company other than any meeting of any other class of shareholders held separately and as a class.

BY-LAW "M"

BE IT AND IT IS HEREBY MADE, PASSED AND ENACTED:—

1. THAT the Directors of the Corporation be and they are hereby authorized to apply for Supplementary Letters Patent altering, amending and varying the provisions of the Supplementary Letters Patent issued to the Corporation on the 18th day of June, 1963, by inserting therein, immediately at the end of Sub-paragraph 3 of Paragraph "B" thereof, the following:—

"Notwithstanding anything to the contrary hereinbefore contained, in the events:

(a) that all or substantially all of the assets of the Corporation be sold, with effect on the 22nd day of November, 1968, although subject to later approval by the shareholders of the Corporation, to Great Britain & Canada Investments (1968) Limited, a body politic and corporate, duly incorporated under the laws of Canada, for a consideration comprising, amongst other things, One Hundred and Twenty Thousand (120,000) fully paid and non-assessable $5\frac{1}{4}\%$ First Cumulative Redeemable Preferred Shares of the par value of Fifty Dollars (\$50) each of the capital stock of Great Britain & Canada Investments (1968) Limited; and

(b) that the shareholders of the Corporation approve such sale; and

(c) that the shareholders of the Corporation sanction by-laws authorizing the distribution of the assets of the Corporation as they exist following such sale and the making of an application for leave to surrender the Charter of the Corporation;

then:

(i) all rights to dividends accrued or to accrue on the Preferred Shares of the Corporation on and after the said 22nd day of November, 1968, shall cease and terminate; and

(ii) dividends accrued on the Preferred Shares of the Corporation up to but excluding the 22nd day of November, 1968, shall become payable at such time as may be fixed by the President or the Vice-President or the Secretary-Treasurer of the Corporation, but no later than the 15th day of January, 1969; and

(iii) on and after the said 22nd day of November, 1968, the rights of the holders of Preferred Shares of the Corporation, upon liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders, shall consist solely, only and exclusively of the right to receive, upon distribution and against surrender for cancellation of their respective certificates representing Preferred Shares, One (1) fully paid and non-assessable $5\frac{1}{4}\%$ First Cumulative Redeemable Preferred Share of Great Britain & Canada Investments (1968) Limited for each Preferred Share of the Corporation so held."

2. THAT each of the President, Vice-President and Secretary-Treasurer of this Corporation be and he is hereby authorized, for and on behalf and in the name of this Corporation, to do and perform all such acts and things and to sign, seal, execute and deliver all such deeds, documents, instruments and writings as he in his entire discretion may deem to be necessary or useful in order more fully to evidence and/or to render effective the provisions of this By-law and/or to give effect hereto.

BY-LAW "N"

BE IT AND IT IS HEREBY MADE, PASSED AND ENACTED:—

1. THAT the assets of this Corporation, after payment of or provision for all of its liabilities, be distributed ratably among the shareholders of this Corporation in accordance with their respective rights against surrender for cancellation of the respective certificates representing their shares of this Corporation; and
2. THAT each of the President, Vice-President and Secretary-Treasurer of this Corporation be and he is hereby authorized, for and on behalf and in the name of this Corporation, to do and perform all such acts and things and to sign, seal, execute and deliver all such deeds, documents, instruments and writings as he in his entire discretion may deem to be necessary or useful in order more fully to evidence and/or to render effective the provisions of this By-law and/or to give effect hereto; and
3. THAT this By-law shall become effective only if a Memorandum of Agreement made between this Corporation and Great Britain & Canada Investments (1968) Limited on the 22nd day of November,, 1968, providing, amongst other things, for the sale of the assets of this Corporation to Great Britain & Canada Investments (1968) Limited and By-law "M", By-law "O" and this By-law "N" of the By-laws of the Corporation shall have been approved or sanctioned by the Shareholders of the Corporation and if By-law "M" shall have been confirmed by Supplementary Letters Patent and then only after such sale shall have been consummated.

BY-LAW "O"

BE IT AND IT IS HEREBY MADE, PASSED AND ENACTED:—

1. THAT this Corporation do wind up its affairs and make application for leave to surrender its Charter;
2. THAT each of the President, Vice-President and Secretary-Treasurer of this Corporation be and he is hereby authorized, for and on behalf and in the name of this Corporation, to do and perform all such acts and things and to sign, seal, execute and deliver all such deeds, documents, instruments and writings as he in his entire discretion may deem to be necessary or useful in order more fully to evidence and/or to render effective the provisions of this By-law and/or to give effect hereto; and
3. THAT this By-law shall become effective only if a Memorandum of Agreement made between this Corporation and Great Britain & Canada Investments (1968) Limited on the 22nd day of November, 1968, providing, amongst other things, for the sale of the assets of this Corporation to Great Britain & Canada Investments (1968) Limited and By-law "M", By-law "N" and this By-law "O" of the by-laws of the Corporation shall have been approved or sanctioned by the Shareholders of the Corporation and if By-law "M" shall have been confirmed by Supplementary Letters Patent and then only after such sale shall have been consummated and action shall have been taken to distribute the assets of this Corporation in accordance with the provisions of By-law "M" of the By-laws of the Corporation.

